

***United States Court of Appeals
for the Second Circuit***



**BRIEF FOR
APPELLEE**

ORIGINAL

76-7378

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P/S

IN THE
United States Court of Appeals
FOR THE SECOND CIRCUIT

KASTAL, INC.,
Plaintiff-Appellee,

vs.

K MART ENTERPRISES, INC.,
Defendant-Appellant.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NEW YORK

HONORABLE ORRIN G. JUDD, Judge Presiding

BRIEF FOR PLAINTIFF-APPELLEE



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v.

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Defendant-Appellant.

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REFERENCES

As used herein, "plaintiff" refers to plaintiff-appellee KASTAR, INC., and "defendant" refers to defendant-appellant K-MART ENTERPRISES, INC.

References to the Joint Appendix will be by the designation "(App. P.)". Defendant's Brief is cited "(DB....)".

Reference is also made in this brief to: (a) the Judgment entered on August 3, 1976 on Judge Dooling's Memorandum and Order dated August 2, 1976; and (b) a copy of the recent decision in W. L. Gore & Associates, Inc. v. Oak Materials Group, Inc., ___ F.Supp. ___ (D.C. Del. November 16, 1976). Copies of these items have been annexed to this brief for the convenience of this Court, and the pages thereof have been numbered 1a, 2a, etc.; citations to these items are in the form "(1a,infra)".

Emphasis in quotations has been added throughout this brief unless otherwise indicated.

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THE ISSUES PRESENTED FOR REVIEW

1. Where a district court judge renders a final order, which is entered, dismissing all causes of action pursuant to Rule 41(a)(2) F.R.Civ.P., and the clerk of the court does not prepare, sign and enter a judgment pursuant to Rule 58 F.R.Civ.P., should this Court order the clerk of the district court to prepare, sign and enter a judgment in the form of a "separate document" nunc pro tunc?
2. Where a district court judge renders a final order, which is entered, and the district court clerk, due to inadvertence, mistake or neglect, fails to prepare, sign and enter a judgment pursuant to Rule 58 F.R.Civ.P., has an "aggrieved" party acted timely to obtain review of the Order where the party files a Petition for Reconsideration 43 days after the entry of the Order, and files a Notice of Appeal 58 days after entry of the Order?
3. Where a first district court judge renders a final order, which is entered, and an "aggrieved" party fails to timely make a petition for rehearing and timely file a notice of appeal, can a second district court judge extend the time to appeal where the "aggrieved" party has not shown "excusable neglect" as mandated by Rule 4(a) F.R.A.P.?
4. Where a first district court judge renders a final order, which is entered, and an "aggrieved" party fails to timely make a petition for rehearing and timely file a notice of appeal, can a second district court judge issue a second order which merely

duplicates the relief granted in the first final order to give the "aggrieved" party additional time to appeal from the first entered order?

5. Where a first notice of appeal is not timely filed, and a judgment, pursuant to a "duplicative" second order, is entered to extend the time to appeal, where no "excusable neglect" has been shown pursuant to Rule 4(a) F.R.A.P., does this Court have jurisdiction over the appeal?

6. Where a plaintiff in a patent infringement action dedicates the patent in issue to the public in order to minimize litigation expenses, and defendant has not made a prima facie showing of bad faith or wrongdoing in the procurement or enforcement of the patent, did the lower court err in: (a) dismissing plaintiff's patent infringement count (Count I) pursuant to Rule 41(a)(2) F.R.Civ.P. as being moot; (b) dismissing defendant's counterclaim to have the patent declared invalid as being moot and the Court no longer having jurisdiction of the counterclaim; and (c) making as a condition of dismissal of Count I under Rule 41(a)(2) F.R.Civ.P. only that an unfair competition count (Count II) be dismissed, but refusing, using its discretion, to award attorney fees to defendant either pursuant to Rule 41(a)(2) or pursuant to 35 U.S.C. 285?

7. Should a judgment entered merely to extend time to appeal in contravention to Rule 4(a) F.R.A.P. be vacated?

8. Where a district court grants plaintiff's motion under Rule 41(a)(2) F.R.C.P. to dismiss its patent infringement count

(Count I) as being moot in view of plaintiff's dedication of the patent in suit to the public; (b) dismiss defendant's counterclaim to have the patent declared invalid as being moot and the Court no longer having jurisdiction over the counterclaim; and (c) making as a condition of dismissal of Count I under Rule 41(a)(2) F.R.Civ.P. only that plaintiff's Claim II for unfair competition be dismissed, but refusing, using its discretion, to award attorneys fees to defendant, either pursuant to Rule 41(a)(2) or pursuant to 35 U.S.C. 285, because defendant has not made a prima facie showing of bad faith or wrongdoing by plaintiff in the procurement or enforcement of the patent, has the district court granted plaintiff "Summary Judgment" pursuant to Rule 56 F.R.Civ.P. or has it merely used its discretion under Rule 41(a)(2) F.R.Civ.P?

STATEMENT OF THE FACTS RELEVANT
TO THE ISSUES PRESENTED FOR REVIEW

The defendant's so-called "Statement of the Case" does not fairly summarize the record. Facts of pivotal importance have been misrepresented, distorted, or omitted entirely by the defendant.

I. THE BRIEF FOR APPELLANT

Firstly, the defendant has framed the issues presented for review as relating to a "Summary Judgment" and "negligent" attorneys and client. The issue of negligence was never an issue in this case and there was no finding by the lower court that the plaintiff or its attorneys were in any manner negligent. All that Judge Judd stated in his memorandum opinion

of May 29, 1976 was that a reasonably negligent inventor or patent attorney "might have" done one thing or another under the circumstances as were developed in this case (App. pp. 112, 113). However, the district court never made a finding of negligence by the plaintiff or its attorneys, in any form whatsoever, since this was simply not an issue raised at any point in the proceedings.

To the extent that defendant's brief alleges or implies that the plaintiff in this case or its attorneys were in any manner negligent, this Court is respectfully moved to strike defendant's brief, or so much of it as alleges or implies negligence, pursuant to Rule 28(1) of this Court's Rules Supplementing Federal Rules of Appellate Procedure.

It is in defendant's brief upon this appeal that the defendant first mentions "Summary Judgment". Defendant obviously having realized that the court below was well within its power to dismiss plaintiff's and defendant's causes of action, pursuant to Rules 41(a)(2), 12(b) and 12(h)(2)(3) F.R. Civ.P., without the granting of attorney fees, makes this last attempt at attorney fees by raising a theory of "Summary judgment". While defendant had two previous opportunities to raise this theory, firstly before Judge Judd, and secondly before Judge Dooling, the defendant first raises this theory, which is at best far fetched, before this Court.

II. THE FACTS AND CIRCUMSTANCES SURROUNDING THE
FILING OF THE APPLICATION WHICH RESULTED IN
THE PATENT IN SUIT

While the defendant has alleged certain facts relating

to the sale, solicitations of orders, and advertising of a wire stripper (DB6), the defendant has conveniently chosen to ignore the fact that during the times which such alleged acts were taking place, the plaintiff did not have a model of the wire stripper which had been reduced to practice. Mr. Bertram Kaplan, the president of the plaintiff, set forth the facts and circumstances which surrounded the development of the tool and its reduction to practice in a lengthy affidavit which was filed in the lower court (App. pps. 79-88). Plaintiff also filed an Affidavit of Armand E. Lackenbach, Esq. (App. pp. 89-92), who was the attorney for the plaintiff before and at the time that the application of the patent in suit was filed, this affidavit explaining the reasons for the various delays alluded to by the defendant (DB5-6).

The first samples of the tools did not correspond with the invention of the patent in suit. Indeed, the plaintiff encountered serious problems in reducing the invention to practice, and it was not, therefore, until May 19, 1970, one year and one day before the application was filed, that the patented invention was reduced to practice. The shipment to Strauss Stores (App. p.83) was received on May 21, 1970, within the one year critical period. It was the plaintiff's consistent position in the district court that, the invention not having been reduced to practice until May 19, 1970, the shipment to Strauss was not an offer for sale as of the shipment date, but could only have been an offer for sale as of the date of receipt by Strauss Stores. This shipment was not actually received by

Strauss until May 25, 1970 (ibid). It is believed that the position taken by plaintiff is supported by a recent case decided by this Court Timely Products Corp. v. Arron, 523 F.2d 288 (2d Cir. 1975).

It is of interest to note that the defendant has not at all considered or addressed itself to the basic principle of patent law that an invention is not completed until there has been a reduction to practice. Therefore, if offers for sale are made prior to reduction to practice, there can be no offers for sale of the invention, or devices embodying the invention, prior to the date of reduction to practice. Instead, defendant has siezed upon some of plaintiff's pre-critical date activities and has assumed, as a foregone conclusion, that such activities automatically invalidated the patent in suit. In this connection, this Court will want to consider Judge Judd's memorandum decision of May 29, 1976 (App. pp. 98-114). As will become readily evident from a review of this memorandum decision and order, Judge Judd at no time made a finding of validity or invalidity of the patent in suit, and made no specific findings as to whether any of the pre-critical date activities by plaintiff constituted sales, solicitations for sales, or advertising. After reviewing all the facts in this case Judge Judd merely decided that, under the circumstances in question, a reasonably negligent inventor or attorney "might" have reached one or another conclusion (App. pp. 112-113). However, there was no holding that the plaintiff or his attorney was negligent, or that any pre-critical

date activities of the plaintiff invalidated the patent in suit.

III. FACTS AND CIRCUMSTANCES SURROUNDING THE DECISION
TO DEDICATE U.S. PATENT NO. 3,733,627 TO THE PUBLIC

After the plaintiff and the defendant finally agreed upon the form of a protective order pursuant to which the plaintiff was to produce various documents requested by the defendant, plaintiff proceeded to photocopy various documents for delivery to defendant's attorneys. At the time that such preparations were being made, plaintiff's attorneys were not aware of some of plaintiff's pre-critical date activities, upon which defendant relies to allege patent invalidity. Upon learning of some of these pre-critical date activities, plaintiff's attorneys immediately contacted the lower court and informed the court that this information had just surfaced and been brought to the attention of plaintiff's attorneys who wanted to have an opportunity to assess the information as it may bear on the issue of patent validity. After reviewing this information and the Timely decision, supra, plaintiff's attorneys reached the conclusion that the plaintiff's pre-critical date activities did not invalidate the patent, and that its validity remained unimpaired.

Additional information was later uncovered by plaintiff's attorneys during the June 1975 depositions, which was forthwith brought to the attention of defendant's attorneys. Plaintiff's attorneys, upon learning of the Strauss Stores shipment, conducted further investigations and was able to

confirm to the plaintiff that the patent was valid and its position perfectly viable. Absolutely none of the information uncovered convinced the plaintiff that its patent was so wholly devoid of substance that it could not have had a bona fide belief in its validity. It was believed only a court of law could make the ultimate decision as to whether the patent in suit was invalid; that there had been no public use or sale more than one year before the filing of the application for the patent in suit; that the patented tool had not been reduced to practice; and, whatever plaintiff's activities may have been prior to the critical date, it could not, therefore, have legally "offered for sale" within the ambit of that term as it is used in 35 U.S.C. §102.

Defendant began taking and also noticed the depositions of a large number of plaintiff's employees, and it appeared that the defendant was embarked upon a major pre-trial discovery campaign which would not only be disruptive of plaintiff's business, but would result in substantial legal expenses. A strictly business decision was then made to minimize these expenses by terminating this litigation and to dedicate the patent in suit to the public. A document dedicating the patent to the public was prepared forthwith and executed by the president of the plaintiff on February 9, 1976 (App. p.42). It was believed that such a course of conduct would benefit both the plaintiff as well as the defendant. The defendant at one time purchased the patented tools from the plaintiff, and

was still a customer of the plaintiff for other unrelated items. Accordingly, and for business reasons only, plaintiff moved the lower court to dismiss its Count I of its complaint for patent infringement, pursuant to Rule 41(a)(2) F.R.Civ.P., and to dismiss defendant's counterclaim for a declaratory judgment for patent invalidity pursuant to Rules 12(b) and 12(h)(2)(3) F.R.Civ.P. (App. pp. 30-34).

While plaintiff dedicated the patent to the public, and moved, in good faith, to terminate the litigation, the defendant was not satisfied and decided to pursue, at all costs, an award of attorney fees. Starting on July 7, 1976, the very same unfortunate day that Judge Judd became deceased, the attorneys for defendant initiated a Petition for Reconsideration of the Order dated May 29, 1976 and have, ever since, relentlessly sought to obtain a reversal of Judge Judd's Order. This has resulted in an enormous escalation of expenses to both parties--the very result which Judge Judd had sought to avoid.

IV. THE FACTS AND CIRCUMSTANCES SURROUNDING THE
DEFENDANT'S MOTION TO EXTEND THE TIME FOR APPEAL

Although the defendant has characterized plaintiff's attorneys' conduct as being "negligent", it may be well to note some of defendant's attorneys' conduct insofar as it relates to the untimely steps taken to perfect the appeal made to this Court. On January 24, 1975, Judge Judd's Order substituting attorneys for the defendant was filed (App. p. 71). However, it was not until July 26, 1976 that the Court's records were corrected by defendant's attorneys to reflect such a change. The letter to the Court requesting that all correspondence be mailed to defendant's new attorneys was not forwarded to the Court, therefore, for approximately one and a half years after the original order was entered.

Judge Judd's memorandum order of May 29, 1976, was mailed to plaintiff's attorneys directly by Judge Judd's Chambers. Plaintiff's attorneys received such order within one or two days after it was mailed. Defendant's attorneys have never denied receiving this order in the first couple of days of June, 1976.

Judge Judd's Order dated May 29, 1976 was entered by the Clerk on June 2, 1976, and the Court records indicate that postcards were mailed to the attorneys (App. p. 2) pursuant to Rule 77(d) F.R.Civ.P. However, because the defendant's attorneys failed to notify the Clerk of the Court as to the "new" attorneys' addresses, as a result of the change of attorneys, the postcard

mailed to the defendant was allegedly never received by defendant's attorneys. Accordingly, defendant has maintained that, although "The Clerk entered judgment on this order on June 2, 1976" (App. p. 123), it did not hear of the entry until July 20, 1976 (App. p. 124).

On June 16, 1976, Judge Judd wrote a letter to defendant's attorneys and returned an exhibit which has been forwarded to the Court. This letter, which plaintiff's attorneys received one day later on June 17, 1976, instructed plaintiff's attorneys to keep the exhibit available "in case it is required in connection with any appeal" (App. p. 179). The defendant's attorneys likewise have never denied receiving a copy of this letter within a couple of days that it was mailed, which letter was also sent directly by Judge Judd's Chambers.

The judgment entered on June 2, 1976, and the aforementioned letter from Judge Judd dated June 16, 1976, are believed to conclusively establish that Judge Judd's order of May 29, 1976 was a final one and not conditional as the defendant has suggested. Yet, defendant waited 43 days subsequent to entry of the order of May 29, 1976 to file a petition for rehearing or reconsideration and waited 58 days before it filed its first notice of appeal. In so failing to timely act, defendant's petition for rehearing was barred by Rule 59 (e) F.R.Civ.P. as well as Rule 9(m) of the Local General Rules of the District Court, and plaintiff's appeal was barred by Rule 4(a) F.R.A.P.

Having failed to take the appropriate steps within the statutory periods, defendant sought review of Judge Judd's

Order of May 29, 1976 by obtaining an extension of time in which to file a notice of appeal pursuant to Rule 4(a) F.R.A.P. The transcript of the hearing before Judge Dooling (App. pp. 164-176) indicates that Judge Dooling believed the order to be final (App. p. 171), but queried whether the plaintiff was obligated under the Order of May 29, 1976 to file some kind of instrument that says "I withdraw". Before the attorneys for plaintiff could even say one word, Judge Dooling decided that he will extend the time of the defendant to appeal, "without determining that it is an appealable instrument, for that is a determination that can be made only by the Court of Appeals" (App. p. 172). It is understandable that the simplest thing for Judge Dooling to do was simply to permit the defendant to appeal and let the Court of Appeals decide the issues of jurisdiction. However, it is believed that the Court recognized its dubious position (App. p. 176). It is for this reason that plaintiff raises this issue.

After a notice of appeal was filed during the extended period for appeal, plaintiff made a motion to vacate the judgment entered upon Judge Dooling's Order of August 2, 1976, to order the Clerk of the District Court for the Eastern District to enter a judgment nunc pro tunc upon the order dated May 29, 1976, and to dismiss the appeal. This Court denied this motion from the bench and no opinion or decision was rendered which set forth the reasons for such dismissal. In any event, this motion is again made at this time since it is believed that this Court lacks subject matter jurisdiction and, therefore, must dismiss this appeal.

ARGUMENT

I. THIS COURT HAS NO JURISDICTION OF THE SUBJECT MATTER AND, THEREFORE, SHOULD DISMISS THIS APPEAL

The memorandum in support of plaintiff-appellee's motion to vacate judgment, petition for mandamus and to dismiss appeals, which is before this Court in this appeal, is by reference incorporated herein. Any reference thereto will be by its original page numbers.

This Court is respectfully requested to reconsider the issue of jurisdiction. It must dismiss this appeal if it decides that the order of May 29, 1976 was a "final" order, and not a "conditional" order which, before it could ripen into a final judgment, required that plaintiff perform one or more acts, namely file a formal dismissal of Count II. Assuming, for the moment, that the order of May 29, 1976 was a "final order", it is respectfully submitted that the Clerk of the District Court in that case failed to perform the ministerial act of preparing, signing and entering a separate document on the order as required by Rule 58 F.R.Civ.P., although, of course, the Clerk did enter the order on June 2, 1976. If this ministerial task was not performed when it should have been performed, this Court has the power and, indeed, the duty to order the District Court Clerk to enter an order nunc pro tunc as requested by plaintiff in its original motion before this Court. Also, if it is assumed, for the moment, that the first order entered in this case was a "final" one, it is respectfully submitted that the judgment entered on the order

dated August 2, 1976 should be vacated since its only effect was to extend the period for appeal under Rule 4(a) F.R.A.P. when, however, no clear showing of "excusable neglect" has been made by the defendant.

It is believed that the issues of jurisdiction of this Court in this appeal are based or hinge upon the finality of the order of May 29, 1976. Plaintiff has and continues to take the position that that order was "final" in the sense of 28 U.S.C. 1291, and not "conditional" as suggested by the defendant. The reasons why the original order was a "final" one are as follows:

(1) Plaintiff's motive in making the motion pursuant to Rule 41(a) (2) was to minimize further litigation expenses. Once the business decision had been made to terminate the litigation, plaintiff no longer entertained the possibility of obtaining a judgment in its favor or collecting damages of any type. It was, then, ready and willing to terminate the litigation in its entirety.

Even if the patent was dedicated to the public, and the count for patent infringement was dismissed, plaintiff still had a count for unfair competition which related to defendant's copying of plaintiff's packages. Knowing that the defendant would make a request for substantial attorney fees, plaintiff made the decision to drop Count II of its complaint for unfair competition if the defendant dropped its claim for attorney fees. Plaintiff made this intention clearly known to Judge Judd during the hearing of February 20, 1976.

Accordingly, the facts and circumstances surrounding the making of the motion to dismiss by plaintiff made it very clear that plaintiff was willing to drop all phases of the litigation if further litigation expenses could be avoided. Judge Judd was fully aware of plaintiff's position. It is for this reason that Judge Judd would not have made his order conditional upon plaintiff filing another piece of paper. The court had the power to dismiss Count II without plaintiff's filing of a token piece of paper, and this ministerial task would not accomplish anything substantive. Both the court as well as the defendant knew that plaintiff would file such a piece of paper if it was required to do so. However, in order to terminate the litigation once and for all, and within the discretion afforded the lower court by Rule 41(a)(2), F.R.Civ.P., it dismissed Count II as a condition of dismissing the rest of the causes of action within the ambit of the phrase "save upon order of the court and upon such terms and conditions as the court deems proper." (Ibid.). Such dismissal of Count II was automatic and could not possibly have required any further action by the plaintiff.

(2) In dismissing Count I and defendant's counterclaim, the court stated in the May 29, 1976 order that "Count II of the complaint be dismissed as a condition of this order" (App. p. 114). In using this terminology, the court was merely using the language of Rule 41(a)(2) which permits the court to dismiss an action at the plaintiff's instance "upon such terms and conditions as the court deems proper". Such "terms and

conditions" can and have taken various forms. Sometimes, where the facts so warrant, the court imposes the condition that the plaintiff pay the defendant's costs. However, in this case, Judge Judd was satisfied that Count I of the complaint should be dismissed only upon the condition that plaintiff's Count II be dismissed, and proceeded to dismiss the same in accordance with plaintiff's manifestations during the hearing of February 20, 1976 that it would be willing to dismiss this count for unfair competition. Therefore, the mere fact that the court used the word "condition" in its order did not in and of itself make such order conditional upon the plaintiff further filing a piece of paper of any kind. An examination of Rule 41(a)(2), as well as the circumstances prior to and during the motion to dismiss, clearly establishes Judge Judd's intent to make his order a final one.

(3) There is no question that Judge Judd intended to his order to be final. In a telephone communication between plaintiff's attorneys and a Mrs. Kovin, the former law clerk to Judge Judd, it was positively confirmed that the order was a final one in every sense of the word. Mrs. Kovin, after checking with Judge Judd in Chambers, relayed to plaintiff's attorneys the fact that no further steps had to be taken by plaintiff to dismiss Count II of the complaint. Judge Judd indicated that Count II was deemed to have been dismissed as a condition of the order simultaneously dismissing Count I and the counterclaim (App. pp. 115-116).

(4) As further evidence that Judge Judd's order of May 29, 1976 was a final one, this Court is respectfully directed to his letter dated June 16, 1976 (app. p. 179) which has been discussed above. Surely, Judge Judd would not have returned the exhibit if he believed the plaintiff had to file a "paper", as allegedly may have been required by his order, and may not do so. The reason why the exhibit was returned to plaintiff by Judge Judd's letter of June 16, 1976, was because there were no further proceedings contemplated in this matter, there were no further steps to be taken by either party, and it merely was up to the defendant as to whether or not he wished to appeal the order, which was entered on June 2, 1976. Would not Judge Judd's letter of June 16, 1976 have reminded the plaintiff that it must file some sort of a "paper" or otherwise the dismissal would not take place? Why would Judge Judd have returned the exhibit unless the case was "final" in every sense of the word? In view of the above, plaintiff respectfully submits that the practical as well as the logical effect of Judge Judd's order of May 29, 1976 was to terminate the litigation in this matter, and to dispose of all aspects of this case at once so as to minimize further litigation expenses by both parties involved.

While Judge Judd's order dismissed plaintiff's Counts I and II of the complaint, and dismissed defendant's only counterclaim, thereby denying "all relief", the Clerk of the Court failed to "forthwith prepare, sign and enter" a judgment pursuant to Rule 58 F.R.Civ.P. Where a plaintiff's motion to dismiss under Rule 41(a)(2) F.R.Civ.P. is granted, such an

order should be entered as a final judgment. In this case, the order was entered or docketed on June 2, 1976 but the Clerk of the Court, due to inadvertence, mistake or neglect, failed to enter a separate judgement as required by Rule 58 F.R.Civ.P. In fact, if a plaintiff's motion to dismiss is granted but upon terms or conditions, then upon failure of plaintiff to comply, within the time fixed, the action may be dismissed on the merits. De Filippis v. Chrysler Sales Corporation, 116 F.2d 375 (2d Cir. 1940). The De Filippis case also stands for the proposition that the "Proper practice is then to enter a judgment of dismissal, which takes cognizance of noncompliance with the terms, and thereby fix with certainty the action of the court and time of its final judgment.", 5 Moore's Federal Practice, ¶41.05(1), n. 41, where Professor Moore comments that "Particularly this is true in light of Rule 58, as amended in 1963." Accordingly, plaintiff respectfully submits that the Clerk of the Court below wrongfully failed to prepare, sign and enter a separate judgment as required by the Federal Rules, and, therefore, this Court has the power and should mandate the Clerk of the Court to enter such a judgment nunc pro tunc.

If this Court agrees with plaintiff that the order of May 29, 1976 was indeed a "final" one, then this Court is respectfully requested to dismiss or vacate the order dated August 2, 1976, which was entered on August 3, 1976, as being duplicative and as only serving the function of extending the period for appeal without a clear showing of "excusable neglect" as mandated by Rule 4(a) F.R.A.P. The subject of the

power of the district court to extend the time for appeal and what constitutes "excusable neglect" is treated in 9 Moore's Federal Practice, ¶204.13(1). Under the old Civil Rules, it appears district courts frequently vacated a judgment and entered a new judgment solely for the purpose of providing a new time from which the time for appeal would begin to run. Professor Moore indicates (id. n. 6) that the courts have consistently interpreted the amendment as holding that the district court has no power to vacate a judgment solely for the purpose of entering a new judgment and thereby providing a new time from which the time for appeal begins to run. The history of Rule 4 is relevant to the answer of what constitutes excusable neglect, since the rule was amended to give a district court judge the power to extend the time to appeal but only if a party could show that its inability to file the notice of appeal was the result of "excusable neglect" and in extraordinary cases only where injustice would otherwise result. In its memorandum in support of its motion to dismiss the appeal before this Court, plaintiff has discussed, inter alia, the case of Stirling v. Chemical Bank, 511 F.2d 1030 (2d Cir. 1975), where this Court has held that the timeliness requirement of Rule 4(a) F.R.A.P. is "mandatory and jurisdictional". Accordingly, the requirement for a showing of "excusable neglect" cannot be taken lightly as the district court seems to have done in its memorandum dated August 2, 1976.

A discussion by plaintiff on the subject of "excusable neglect" is presented in its memorandum in support of its motion to dismiss the appeal before this Court. Not once has the defendant seriously sought to address itself to the issue of "excusable neglect" by making a proper showing in clear and concise terms, but has advanced broad generalizations (App. pp. 123-126) on this most crucial issue. The showing made by defendant in this respect falls very much short of the mark or the standards which have been established in this connection by the courts in this district as well as elsewhere. These cases are discussed at pages 13-18 of the plaintiff's Memorandum.

As pointed out above, the Order Dated May 29, 1976 was entered by the Clerk and filed on June 2, 1976. The clerk proceeded pursuant to Rule 77(d) to serve notice of entry by mail and mailed postcards to defendant's attorneys at the addresses then known to the clerk. Because defendant's attorneys negligently waited one and one-half years after substitution of attorneys to notify the clerk of the new attorneys' addresses, defendant's attorneys allegedly did not receive such postcards. However, this should be of little effect, particularly in view of the clear statement in Rule 77(d) F.R.Civ.P. that "lack of notice of the entry by the clerk does not affect the time to appeal or relieve or authorize the court to relieve a party for failure to appeal within the time allowed, except as permitted in Rule 4(a) of the Federal Rules of Appellate Procedure". Also, defendant's failure to receive such notice

of entry should have no bearing in this case since such failure to receive the postcard was due to defendant's attorneys' own negligence in promptly notifying the clerk of the court of the addresses of the new attorneys in the case.

In view of the above, plaintiff has taken and continues to take the position that Judge Judd's Order of May 29, 1976, entered on June 2, 1976, was a final one in every respect, and was not conditioned upon plaintiff's doing any additional or specific acts. Accordingly, the Clerk of the Court failed to prepare, sign and enter a judgment as he was required, and this error was compounded by the District Court in subsequently entering a new judgment which simply extended the defendant's time to appeal. An appellate court can and should raise lack of federal jurisdiction on its own motion. 1 Moore's Federal Practice, ¶0.60(4), at n. 10. As Professor Moore has indicated, "So many hundreds of cases support the proposition that a court of appeals has no jurisdiction to hear an untimely appeal that it is too late to undermine the proposition by mere history and logic." 2 Moore's Federal Practice, ¶204.02(2).

Under these circumstances, the plaintiff again renews its motion and respectfully requests this Court to mandate the Clerk of the Court for the Eastern District of New York to prepare, sign and enter a judgment in the form of a separate document pursuant to Rule 58 nunc pro tunc based on the order dated May 29, 1976, to vacate the judgment entered on August 3, 1976, and dismiss this appeal.

II. PLAINTIFF'S MOTION WAS NOT A MOTION
FOR SUMMARY JUDGMENT

The defendant, in a desperate effort to obtain a reversal in this Court, has labelled plaintiff's motions under Rules 12 and 41 F.R.Civ.P. as a motion for summary judgment under Rule 56. This approach was undoubtedly taken because if the defendant can succeed in convincing this Court that plaintiff's motion was under Rule 56 F.R.Civ.P., then it hopes to show reversible error in the granting of such a motion because of the existence of allegedly genuine issues as to any material fact as required by that rule. However, this theory has no merit and has no support in the facts in this case.

Firstly, Rule 41 is a procedural rule "sustainable as a rule of judicial administration", Byrd v. Blue Ridge Rural Electric Cooperative, 356 U.S. 525 (1958). With respect to voluntary dismissals by order of the court, the provision of the rule is based upon equity practice and the court has the power to weigh the equities and do justice in each case. 5 Moore's Federal Practice ¶41.05 (1), at 5. The granting of the motion is squarely within the court's discretion, and not a matter of right. Numerous cases are cited by Professor Moore for this proposition (id. at 7).

On the other hand, a motion for summary judgment under Rule 56 applies to the merits of the case and only raises legal questions. 6 Moore's Federal Practice ¶56.03.

This Court has said that it is irrelevant what name a motion is given. Dunn v. J. P. Stevens & Co., 192 F.2d 854 (2d Cir. 1951). However, defendant's argument must fail for a

number of reasons. Firstly, plaintiff made a motion pursuant to Rule 41(a)(2) to dismiss its own Count I of its complaint for patent infringement. This part of the motion for dismissal of Count I was clearly proper under Rule 41 F.R.Civ.P. Plaintiff pointed out to the court that its decision of the patent in suit rendered Count I of the complaint moot. Defendant has never opposed this phase of the motion and plaintiff clearly had the right to dismiss its own count as it did.

However, the dedication of the patent to the public did more than merely render Count I of the complaint moot. It eliminated the justiciable controversy between the parties, and therefore eliminated the basis for federal jurisdiction. Once that jurisdiction no longer existed, plaintiff moved the court to dismiss defendant's counterclaim pursuant to Rules 12(b) and 12(h)(2)(3) F.R.Civ.P. It has been said that lack of jurisdiction over the subject matter should be raised by a motion to dismiss or in a responsive pleading and not by a motion for summary judgment. Solomon v. Solomon. 516 F.2d 1018 (3d Cir. 1975). In fact, it would be error for a court to rule on a summary judgment motion, or any other matter on the merits, after a court has been divested of subject matter jurisdiction. Dassinger v. South Central Bell Telephone Company, 505 F.2d 672 (5th Cir. 1974). Lack of jurisdiction over the subject matter is sufficiently fundamental in that Rule 12(h)(3) provides that "Whenever it appears by suggestion of the parties or otherwise that the court lacks jurisdiction of the subject

matter, the court shall dismiss the action". Rule 12(h)(3), F.R.Civ.P.; 2A Moore's Federal Practice ¶12.23. Accordingly, while the name that a motion is given is not important, the plaintiff properly moved the lower court under Rules 12(b) and 12(h)(2)(3) to dismiss the counterclaim once the patent was dedicated to the public and the justiciable controversy which formed the foundation for jurisdiction in the federal court was eliminated.

It is not quite clear to plaintiff exactly what the position of the defendant is with respect to its allegations of summary judgment. In one instance, the defendant suggests that summary judgment was granted to foreclose discovery (DB2), in another instance the defendant suggests that the court granted summary judgment against defendant's counterclaim (DB4), while yet in another instance the defendant suggests that the court granted summary judgment with respect to defendant's claim for attorney fees under 35 U.S.C. §285 (DB4, n.3).

With respect to discovery, defendant could not seriously suggest that the court granted summary judgment only for the purpose of foreclosing its discovery. Matters relating to discovery are procedural and ancillary to the claims in an action and do not strictly go to the merits as motions for summary judgments must do. With respect to defendant's counterclaim, as has been pointed out above, the plaintiff's motion was not under Rule 56 F.R.Civ.P., but rather Rule 12 F.R.Civ.P.

and required the district court to dismiss the counterclaim for lack of subject matter jurisdiction. Finally, with respect to defendant's claim for attorney fees, the denial to grant such attorney fees to defendant was not pursuant to Rule 56, F.R.Civ.P., since such attorney fees are discretionary with the court, and defendant is not entitled to them as a matter of right or as a matter of law, as will more fully be discussed in the following section.

III. THE DISTRICT COURT DID NOT ABUSE ITS DISCRETION
IN DENYING DEFENDANT ATTORNEY FEES

The American rule is that attorney fees are not recoverable as costs or damages in the absence of an express statute or an enforceable contract providing for them. Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corporation, 407 F.2d, 288, 293 (9th Cir. 1969). The only two possible statutory bases for such attorney fees in this case is Rule 41(a)(2) which permits dismissal on a court's order upon "such terms and conditions as the court deems proper" and 35 U.S.C. §285 which permits a court to grant attorney fees in an "exceptional" case. However, as noted above, both of these statutory bases for attorney fees are purely discretionary with the court, and a decision on this issue should normally not be reversed by an appellate court unless a clear abuse of discretion can be shown.

Plaintiff's discussion in its memorandum in support of its motion to dismiss (which is not reproduced in the Joint Appendix, but is in the Record on Appeal from the district court and is incorporated by reference just as if herein fully set

forth) summarizes its position that attorney fees will not normally be granted in Rule 41(a) (2) dismissals. A leading case on this subject is the decision of this Court in Larchmont Engineering, Inc. v. Toggenburg Ski Center, Inc., 444 F.2d 490 (2d Cir. 1971). In this case, where the plaintiff likewise moved for a voluntary dismissal with prejudice pursuant to Rule 41(a)(2), F.R.Civ.P., this Court affirmed the district court in granting the motion, and stated at page 491:

"Defendants' assertion of valid misuse defenses does not establish that the suit was brought in bad faith, nor would proof of such defenses at trial necessarily entitle them to an award of counsel fees. After pretrial discovery revealed the weaknesses of its claims, Larchmont may well have decided in good faith to minimize litigation expense by foregoing its claims and by taking a voluntary dismissal. Such a move should not be discouraged by the threat of imposing attorney fees. The question is peculiarly one within the discretion of the Nisi Prius judge who in this case was more familiar than we are with the claims and with the likelihood of defendants' establishing bad faith. He should not be straitjacketed by a ruling that would have the effect of mandating a hearing."

This case has been discussed by plaintiff substantially throughout the proceedings (see, for example, App. pp. 73-78). The Larchmont case has been followed in Standard Packaging Corp. v. Curwood, Inc., 182 USPQ 399 (N.D. Ill., E. Div., 1974)), and the Larchmont rationale has also been followed in H. K. Porter Co., Inc. v. Black & Decker Mfg. Co., 182 USPQ 401 (N.D. Ill., E. Div., 1974), aff'd., 518 F.2d 1177 (7th Cir. 1975), where the court stated that:

"Counsel ought to be encouraged to withdraw claims which they conclude are not meritorious, even on the eve of trial, and thereby narrow the issues to be decided and expedite the determination of the case. Taxing attorneys' (id. at page 417).

The very recent decision in W. L. Gore & Associates, Inc. v. Oak Materials Group, Inc., ____ F.Supp. ____ (D.C. Del. November 16, 1976), (2a-27a, infra) is very much in point. Here, the court not only cited Larchmont, supra, but indeed cited the lower district court decision in this very case. In Gore, the plaintiff disclaimed all claims of the subject patent in the Patent Office ...this being the equivalent for practical purposes, to plaintiff's dedication of the patent to the public. Plaintiff in Gore subsequently moved for a voluntary dismissal under Rule 41(a)(2) F.R.Civ.P. The Court found, at page 2 of the decision (4a, infra), that since all the claims had been disclaimed this was the equivalent to a dedication of the patent to the public and that, therefore, the court no longer had any jurisdiction with respect to the defendant's counter-claim seeking a declaration of patent invalidity.

With respect to attorney fees under Rule 41(a)(2), the court in Gore noted that the court may grant dismissal "upon such terms and conditions as the court deems proper" (4a, infra). However, in making its decision as to whether to grant attorney fees, the court was guided by the standards of 35 U.S.C. §285, which allows the court to award attorney fees in "exceptional" cases. After discussing attorney fees, and the burden of proof of the party seeking such attorney fees (5a-8a,

infra), the court reaches the decision that the defendant in that case failed to meet its burden of proof as did the defendant in this case. The court in Gore, as a matter of fact, made the analogy between its own case and the instant case, the court noting that there were close parallels between the two cases and that in each case someone, at most, "may" have been "reasonably negligent" (17a, infra).

The defendant laments that it had less than "five hours of depositions" (DB5), and makes it as an issue to be reviewed whether the lower court could foreclose further discovery. In distinguishing Larchmont, supra, the defendant states that in that case there was "extensive pretrial discovery" (DB12, n.13). It is not understood by plaintiff what relevance the precise amount of pretrial discovery, in hours and minutes, has on the public policy considerations discussed in Larchmont. The defendant appears to suggest that while the Larchmont rationale may be applicable where there has been "extensive" pretrial discovery, it should not apply where there is minimal discovery as the defendant has urged has taken place in this case. However, the defendant does not cite any authorities for that proposition. In fact, the law seems to be directly the opposite. Thus, in Nixon Construction Co. v. Frick Company, 45 F.R.D. 387 (S.D.N.Y. 1968), the court, in dismissing, took into consideration, as some of the factors, that the case was a little more than five months old, that few pleadings had been filed, and that a small amount of time had been spent by the court. It is logical and reasonable that the less time and effort that the parties have expended, the less damaged they will

have had should litigation be terminated without award of attorney fees.

IV. ATTORNEY FEES ARE NOT INTENDED TO
BE THE "TERMS AND CONDITIONS" OF
RULE 41(a)(2), F.R.Civ.P.

Besides the defendant, as its attorney admits, was able to depose plaintiff's employees for approximately five hours. One of the employees was the inventor himself. What defendant's attorney does not tell the Court, is that these depositions consumed substantially more than one day because, in addition to the depositions, defendant's attorney was busy rummaging through the papers and documents which had been produced pursuant to the defendant's request for such documents. There was, in addition, a prior disclosure of documents pursuant to that request so that, indeed, defendant had substantially more discovery than it wants to admit. In addition, the lower court called for affidavits in support of the plaintiff's Motion to Dismiss. At no time was the defendant ever able to make out even the hint of a prima facie case of bad faith on the part of the plaintiff. Indeed it cannot.

In the case of Hylte Bruks Aktiebolag v. Babcock & Wilcox Company, 305 F.Supp. 803 (S.D.N.Y. 1969), the court noted that a dismissal for want of subject matter jurisdiction cannot be made contingent upon terms and conditions pursuant to Rule 41(a)(2) which is reserved for voluntary dismissals. Since the defendant's counterclaim was dismissed pursuant to Rule 12 (h) F.R.Civ.P., and not Rule 41(a)(2), it is even more questionable whether the court below could have imposed any conditions upon

the dismissal of defendant's counterclaim, other than dismissal of Count II, which of course the court did not. In Philadelphia Gear Works v. Kerotest Mfg. Co., 101 F.Supp. 820 (W.D. Pa. 1951), the court held that attorney fees are not to be allowed as a matter of course to the prevailing party and plaintiff will not be required to pay attorney fees as a condition of dismissal where defendant would not be entitled to counsel fees even if the case proceeded to trial and defendant were successful on the merits.

In A. B. Dick Co. v. Marr, 197 F.2d 498 (2d Cir. 1952), cert. den., 344 U.S. 878 (1952) the court stated, at page 502:

"...dismissal of the plaintiff's case with prejudice gave the defendant the basic relief for which he asked in his answer, i.e., not only final determination of the controversy in his favor, but also freedom from the possibility of further suit by the plaintiff on the same cause of action". (Id. at 502).

In the instant case, plaintiff's motion to dismiss its patent infringement claim (Count I) was for dismissal with prejudice inasmuch as the defendant dedicated the patent to the public and, consequently, could no longer bring a further patent infringement action based upon the same patent. Where the trial court permits the plaintiff to dismiss with prejudice and thereby gives the defendant the basic relief to which he is entitled, the judgment has been held not to be appealable by the defendant, A B. Dick Co. v. Marr, supra, where the court also held that an appeal does not lie from a mere denial of costs.

As noted above, a Rule 41 motion to dismiss falls within the sound discretion of the trial court. In fact, it has been held that an aggrieved defendant is not entitled to a reversal upon appeal unless he can show that the trial court failed to exercise or abused its discretion. American Cyanamid Co. v. McGhee, 317 F.2d 295 (5th Cir. 1963).

The cases are legion for the proposition that where a plaintiff's motion to dismiss pursuant to Rule 41(a)(2) is granted with prejudice, the defendant is not entitled to attorney fees. See, e.g., Smoot v. Fox, 353 F.2d 830 (6th Cir. 1965), where the Court of Appeals for the Sixth Circuit suggested that to allow attorney fees in a dismissal with prejudice case would be of questionable constitutionality. The Seventh Circuit reversed the district court's award of attorney fees under similar circumstances in Sarkes Tarzian, Inc. v. Philco Corporation, 351 F.2d 557 (7th Cir. 1965). In Mobile Power Enterprises, Inc. v. Power Vac, Inc., 496 F.2d 1311 (10th Cir. 1974), the court held that absent, exceptional circumstances, the trial court lacks the power to allow costs upon dismissal with prejudice.

With respect to the award of attorney fees under 35 U.S.C. §285, this requires that the defendant show that the case is "an exceptional one". A discussion of attorney fees under 35 U.S.C. §285 and the burden of proof required is discussed in the Gore case, supra. This Court has held in Larchmont, supra, that 35 U.S.C. §285 normally applies at the end of litigation and even then should be used sparingly.

Dismissal on condition pursuant to Rule 41(a)(2) is discussed in 5 Moore's Federal Practice ¶41.06, where it is stated that "No such terms will be imposed, however, in the absence of a showing as to their propriety". (Id. at 1082). In patent cases, attorney fees are almost never granted since they would normally not be granted even to the prevailing party after a full trial. It is therefore normally unreasonable for the court to grant such attorney fees before a final determination has been made, and particularly at an early stage in the trial, where the plaintiff, in good faith, dedicates the patent to the public to minimize litigation expenses to the parties or where the plaintiff decides that there may be an infirmity with its patent.

With respect to both Rule 41 and 35 U.S.C. §285, the defendant has failed to make a prima facie case of wrongdoing by the plaintiff either in the procurement or enforcement of the now dedicated patent.

As the Court said in Gore (p. 12a, infra), "...the key to the determination of bad faith is the reasonableness of the patentee's belief in the patent's validity". In the instant case, the inventor is an engineer for the plaintiff. At best, he is aware of only some of the plaintiff's business activities. The inventor was at all times convinced that the patent was valid. The same is true of the plaintiff, and there is not a shred of evidence introduced by the defendant that would tend to show the inventor or the plaintiff ever failed or faulted in their bona fide belief in the validity of the patent in suit. Indeed, there is not even the smallest quantum of evidence that would go to the issue of the inventor or the plaintiff being unable in good faith to believe reasonably in the validity of the patent.

Thus, the decision to bring suit was a good faith decision based upon the bona fide belief that the patent was valid. The decision to dedicate the patent to the public was strictly a "business decision" as in Gore (p. 15, infra).

In view of the above discussion, it is respectfully submitted that the lower court did not err in using its discretion, either under 35 U.S.C. §285 or under Rule 41, F.R.Civ.P. in denying an award of attorney fees. Such denial, as in Gore, infra, was appropriate both because the defendant has not made a prima facie showing of bad faith or wrongdoing in the procurement or the enforcement of the patent in suit and because, under all the circumstance in this case, the court decided, in

its discretion, that attorney fees should not be a "term or condition" of dismissal under Rule 41(a)(2), F.R.Civ.P. Instead, the Court decided to simply dismiss the Count II of the Complaint as a "condition" of dismissal. The lower Court was additionally correct in its denial of attorney fees since the cases are legion to holding that attorney fees will not be awarded where a dismissal is made with prejudice. In this case, having dedicated the patent to the public, the dismissal of the patent infringement suit was clearly with prejudice since the claim for patent infringement could never be renewed in the future against the defendant or any other party.

V. THE DEFENDANT IS NOT ENTITLED TO A HEARING ON THE
ISSUE OF ATTORNEY FEES

The cases discussed in the above section are believed to firmly establish the principle that where a patentee voluntarily dismisses a claim for patent infringement, in good faith, to terminate the litigation and minimize further litigation expenses, courts will not permit the defendant to pursue the litigation by taking further discovery, having evidentiary hearings, and otherwise continuing with the case for the purpose of proving to the Court that it is entitled to attorney fees. This is particularly true where, in the proceedings up to the time of dismissal, the defendant has failed to make a prima facie case which shows bad faith or wrongdoing by the plaintiff in the procurement or enforcement of the patent. As noted in the last section, attempts

by defendants to perpetuate litigation have invariably been denied the right to do so, at all stages of the proceedings, irrespective of the amount of discovery prior to dismissal under Rule 41(a)(2). In fact, as noted above, the better rule, consistent with logic, is that the earlier the stage of the litigation and the less discovery that has taken place, the more reasonable it is to deny attorney fees. This is particularly true in patent cases, where attorney fees are only granted in "exceptional cases", and where an attempt by a defendant to show bad faith or wrongdoing sufficient to have the patent declared invalid may involve the same time, effort and proofs as would normally be required for the trial itself. Accordingly, to permit a defendant to pursue his claims for attorney fees would, in effect, negate the very purpose or function of Rule 41 which is, after all, to terminate litigation and not to propagate it.

Here, the defendant has failed to meet its burden of demonstrating a prima facie case of inequitable conduct on the part of the plaintiff. As in Gore (pp. 25-26a, infra), no additional discovery or hearings of any type is warranted by the record before this Court. To do otherwise would fly in the face of the public policy as enunciated in the Larchmont case, supra, decided by this Court.

CONCLUSION

For all of the above reasons, plaintiff respectfully requests this Court to dismiss the instant appeal by defendant, order the Clerk of the District Court for the Eastern District of New York to enter an order nunc pro tunc based on the order of May 29, 1976, vacate the order dated August 2, 1976, and strike so much of the defendant's brief on appeal which is scandalous, irrelevant and immaterial, and grant the defendant such other relief as this Court deems appropriate, including a reasonable attorney fee for the plaintiff in this appeal.

Respectfully submitted,

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By

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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

KASTAR INC.,

Plaintiff,

- against -

K MART ENTERPRISES, INC.,


Defendant.

AUG 3 - 1976

A memorandum and order of Honorable John F. Dooling, United States District Judge, having been filed on August 3, 1976, extending defendant's time to file a notice of appeal, from a memorandum and order dated May 29 and filed and docketed June 2, 1976, until August 2, 1976, pursuant to Fed.R. App.P. 4(a), 26 (a) on the ground that defendant's neglect of timely filing was excuseable, and further directing the Clerk to enter judgment that the plaintiff take nothing on the complaint and that the defendant take nothing on the counterclaim and dismissing the action with costs of the action as taxed by the Clerk, but without allowance for counsel fees under 35 U.S.C. §285, it is

ORDERED and ADJUDGED that defendant's time to appeal from a memorandum and order dated May 29 and filed and docketed June 2, 1976 is extended to August 2, 1976 and that the plaintiff take nothing on the complaint, that defendant take nothing on the counterclaim and that the action be dismissed with costs of the action as taxed by the Clerk but without allowance for counsel fees under 35 U.S.C. §285.

Dated: Brooklyn, New York
August 3, 1976


Clerk

20
BNA

Date Filed

3
11-16-76

Date Received

11-28

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

W. L. GORE & ASSOCIATES, INC.,)

Plaintiff,)

v.)

Civil Action No. 75-180

OAK MATERIALS GROUP, INC.,)

Defendant.)

E. A. Uebler, Esquire of W. L. Gore & Associates, Inc., Newark, Delaware. Of Counsel - C. Walter Mortenson, Esquire of Wilmington, Delaware. Marcus B. Finnegan, Esquire, Brian G. Brunsvold, Esquire of Finnegan, Henderson, Farabow & Garrett, of Washington, D.C. Attorneys for Plaintiff.

Charles S. Crompton, Jr., Esquire of Potter, Anderson & Corroon, Wilmington, Delaware. Of Counsel - John B. Pegram, Esquire of Davis, Hoxie, Faithful & Hapgood of New York, New York. Attorneys for Defendant.

O P I N I O N

Wilmington, Delaware
November 16, 1976

WRIGHT, Senior Judge.

Plaintiff, W.L. Gore & Associates, Inc.¹ filed this action against defendant Oak Materials Group, Inc. in 1975,² alleging infringement of its U.S. Patent Number 3,664,915 covering expanded, extruded, unsintered polytetrafluoroethylene ("PTFE") tape. Defendant answered, denying infringement and asserting affirmative defenses of invalidity, fraud and estoppel. In addition, defendant counterclaimed for a declaratory judgment of invalidity, non-infringement and unenforceability. In August, 1976, plaintiff formally disclaimed all claims of the subject patent in the Patent Office. Plaintiff subsequently filed a motion for voluntary dismissal under Rule 41(a)(2) Fed.R.Civ.P., with each party to bear its own costs. In response, defendant moved for entry of an order and judgment declaring the '915 patent to be invalid and awarding attorneys' fees and costs to defendant under 35 U.S.C. § 285. Both parties have submitted numerous docu-

1 W.L.Gore is the named inventor of the subject patent. He is also the founder and Chairman of the Board of plaintiff, W.L. Gore & Associates, Inc., which is the assignee of the application which matured into the subject patent. Hereinafter Mr. Gore will be referred to as "Gore"; the company, W.L. Gore & Associates, Inc. will be referred to as "Plaintiff".

2 This action was originally filed against defendant in the name of Dodge Industries, Inc. Because of a change in corporate name to Oak Materials Group, Inc., the parties stipulated to a change in the caption.

ments and exhibits in support of their motions.

I. Jurisdiction.

A preliminary jurisdictional question is raised by defendant's motion for a judgment of invalidity of the '915 patent. As plaintiff has formally disclaimed all claims of the patent, there is no longer a justiciable case or controversy before the Court with respect to the validity of any of those claims. Disclaimed claims cannot be revived, through reissue or otherwise. *Altoona Theatres v. Tri-Ergon Corp.*, 294 U.S. 477 (1935). The patentee has no further right either to enforce the claims which have been disclaimed, or to obtain a reissue of any of those claims. Since all the claims have been disclaimed, the effect of plaintiff's action is the same as dedication of the patent to the public or abandonment. The Court, therefore, no longer has any jurisdiction with respect to the validity or invalidity of the patent. See *Chris-Craft Industries, Inc. v. Monsanto Co.*, 59 F.R.D. 282 (C.D. Calif., 1973).

Under Rule 41(a)(2), the Court may grant dismissal "upon such terms and conditions as the court deems proper." Accordingly, the Court may retain jurisdiction for the purpose of awarding attorneys' fees. Defendant has requested an award of attorneys' fees and costs in the amount of \$49,548.00 on the ground that the case is "exceptional" under 29 U.S.C. § 285. That section provides:

The court in exceptional cases may award reasonable attorneys fees to the prevailing party.

II. Attorneys' Fees.

A. Burden of Proof.

Ordinarily a request for attorneys' fees under § 285 is made after a trial on the merits, thus allowing the court to dispose of the request on the basis of a full record. The court is not precluded from awarding fees in its discretion, at the time it find appropriate,³ *Darling v. Studebaker-Packard Corp.*, 191 F.Supp. 438 (N.D. Ill., 1961), but it is necessarily more difficult for the court to exercise its discretion prior to trial, when the evidentiary record is far less complete. The burden of proof rests on the moving party. See, *Kastar, Inc. v. K Mart Enterprises, Inc.*, 190 U.S.P.Q. 551 (E.D.N.Y. 1976). The question for the Court is how that burden of proof should be discharged, whether through an evidentiary hearing or through a less costly presentation of written evidence.

3 The original language of § 285 provided for an award of fees after "entry of final judgment", indicating that fees could not be awarded if no final judgment were entered. That phrase was deleted in 1952. The statute now speaks only of the "prevailing party". Several courts have indicated that § 285 may be applied to cases which are dismissed under Rule 41(a)(2). See, e.g., *Larchmont Engineering, Inc. v. Toggenburg Ski Center, Inc.*, 444 F.2d 490 (2d Cir. 1971); *Kaster, Inc. v. K Mart Enterprises, Inc.*, 190 U.S.P.Q. 550 (E.D.N.Y. 1976); *Chris-Craft Industries, Inc. v. Monsanto Co.*, 59 F.R.D. 282 (C.D. Calif., 1973).

Public policy favors voluntary dismissals of actions. Larchmont Engineering, Inc. v. Toggenburg Ski Center, Inc., 444 F.2d 490 (2d Cir. 1971). The Court is reluctant to put the parties to the expense and time of a lengthy evidentiary hearing on many of the issues which would have been brought out at a trial on the merits. Neither will the Court award fees solely on the basis of assertions and opinions by both parties, unsupported by facts in the record. In this action, both parties have provided the Court with a large number of exhibits, including documents and excerpts from depositions taken in related actions. Defendant accompanied its set of exhibits with proposed findings of fact. At the September 15th hearing, defendant explained that it was appropriate to present the facts to the Court in this form, as a quasi-summary judgment motion. If this were a motion for summary judgment, for the reasons hereinafter stated, this Court would deny the motion.

The Court has considered the exhibits compiled by both parties in order to determine whether defendant has established prima facie grounds for declaring the case to be "exceptional" under § 285. If defendant cannot establish a prima facie case, the motion for award of fees must be denied. If, on the other hand, a prima facie case can be established, both parties should be afforded the opportunity to take further discovery and, if

needed, to present evidence at an adversary hearing.⁴

In determining the sufficiency of defendant's showing, the Court has considered that § 285 is meant to apply only to truly exceptional cases:

The legislative history of § 285 indicates that Congress intended, even after trial, that it be used sparingly, since it represents a departure from the usual rule that counsel fees are not awardable to the prevailing party in an action at law, and the broad policy against allowing costs to be erected as an undue barrier to litigation. Larchmont Engineering, supra, at 491.

The policy behind the provision is not to reward further the prevailing party, but to compensate that party for costs which it would not have incurred but for the losing party's misconduct.⁵

4 This approach is in line with the reasoning of other courts. In Larchmont Engineering, Inc., supra, n. 2, defendants requested a hearing to permit them to present evidence developed through discovery which would bear on the question of bad faith. The Court found an insufficient showing of bad faith to warrant holding the requested hearing. On appeal, the Second Circuit affirmed. In the Chris-Craft case, supra, n. 2, defendant attempted to introduce the issue of fraud by amending the complaint to include the result in another action involving the same patent. Permission to amend the complaint was denied, as the court did not feel it should incorporate findings from another case. The Court indicated, however, that it would have permitted the parties to hold an evidentiary hearing if they had so desired, apparently on the basis of the finding of fraud in the other action.

5 Section 285 also incorporates a rationale similar to that of Blonder-Tongue Labs., Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971) -- the deterrence of coercive suits by owners of invalid patents.

Park-In Theatres, Inc. v. Perkins, 190 F.2d 137 (9th Cir. 1951);
Mueller Brass Co. v. Reading Industries, Inc., 352 F.Supp. 1357
(E.D. Pa. 1972). The courts should award fees only in the
extraordinary case where necessary to prevent gross injustice:

The exercise of discretion in favor of
an allowance of attorneys' fees should
be based upon a finding of unfairness or
bad faith in the conduct of the losing
party, or some other equitable considera-
tion of equal force, which makes it
grossly unjust that the prevailing party
be left to bear the burden of his own
counsel fees. Purer & Co. v. Aktieboleget
Addo, 410 F.2d 871, 880 (9th Cir. 1969).

See also, Monolith Portland Midwest Co. v. Kaiser Aluminum & C.
Corp., 407 F.2d 288 (9th Cir. 1969).

Where a case is dismissed prior to trial, an extremely
heavy burden is placed on the moving party to establish entitle-
ment to attorneys' fees, in light of the extraordinary nature of
the relief. The Court finds, after careful consideration of all
the evidence presented by both parties that defendant has failed
to meet that burden.

B. Background of Litigation.

The present case can be considered only against the
background of two related actions involving the '915 patent. On
October 3, 1969, Gore filed a patent application covering improve-
ments in unsintered PTFE tape used as a pipe thread sealant. The

patent was granted, after amendment,⁶ on May 23, 1972. Claim I specified:

A shaped article of an unsintered tetrafluoroethylene polymer which is uniaxially expanded and oriented, has a fibrillated structure and has a specific gravity of less than 1.4.

The day after the patent was granted, May 24, 1972, Johnson & Johnson ("J & J") filed a declaratory judgment action in this Court against W.L.Gore & Associates, Inc., alleging invalidity, unenforceability and non-infringement of the '915 patent.

Extensive discovery was conducted by both parties in that litigation; much of the evidence relevant to this action was developed during discovery in the J & J action. A trial date of fall, 1976 was tentatively set, but both parties entered into a stipulation of dismissal following disclaimer of the '915 patent by Gore.⁷ In August, 1972, during the pendency of the J & J action, plaintiff filed a complaint with the U.S. Tariff Commission (now the U.S. International Trade Commission) to prevent importation into the United States of certain PTFE tapes alleged to infringe the '915 patent. As part of its formal investigation into the complaint, the staff of the ITC considered evidence relevant to

6 The amendment added the words "uniaxially expanded and oriented" to the first claim, substituted "specific gravity" for "density" at several points in the application, and substituted the language "which does not retract along its length at normal temperatures" for "the length of which is stable" in Claim 9. Applicant also agreed to drop prosecution of claims 10 and 11.

7 By the terms of that dismissal, both parties bore their own costs.

the validity of the '915 patent. The Administrative Law Judge who initially considered the complaint filed an opinion on February 4, 1976 recommending that the patent be found valid and enforceable. The full Commission entered a split decision on April 3, 1976 on the validity of the patent. Three judges found the patent invalid on the basis of a prior Russian specification, and the sale in the United States of an expanded unsintered PTFE tape more than one year prior to filing of the Gore application. The other three judges concluded that the patent was valid, but refused to enter an order prohibiting importation of the tapes on the ground that no substantial injury had been proven. Plaintiff entered notice of an appeal from the Commission's decision, but has since stipulated to a dismissal.

Since the chronology of the three actions involving the '915 patent is crucial, the Court has prepared the following summary of the relevant dates:

October 3, 1969	Patent application filed
May 23, 1972	'915 Patent granted
May 24, 1972	J & J Complaint filed
August 29, 1972	ITC Complaint filed
July 3, 1975	Present action filed
February 4, 1976	ITC Administrative Law Judge's Opinion filed
April 3, 1976	Full ITC Opinion filed
August 16, 1976	'915 Patent disclaimed
August 19, 1976	Plaintiff's Motion for Dismissal filed

8 The question of sale of this tape, known as the "Cropper" or "Ceelon" tape is discussed infra, at 18-20.

C. Analysis.

Attorneys' fees may be awarded under § 285 if the patentee obtained the patent through fraud on the Patent Office, or demonstrated bad faith in bringing and maintaining the action while knowing of the invalidity of the patent. Numerous courts have held that a decree of invalidity based on a finding of fraud makes the case exceptional within § 285. *CPC International, Inc. v. Standard Brands, Inc.*, 385 F.Supp. 1057 (D.Del. 1974); *Farmer Bros. Co. v. Coca-Cola Co.*, 384 F.Supp. 595 (C.D. Calif. 1974); *Chromolloy American Corp. v. Alloy Surfaces Co., Inc.*, 353 F.Supp. 429 (D.Del. 1973). Conduct short of fraud, but in excess of simple negligence may also be an adequate foundation for an award of fees, if the prevailing party establishes a calculated recklessness about the truth or gross lack of diligence on the part of the losing party. *Monolith Portland Midwest Co. v. Kaiser Aluminum & C. Corp.*, supra; *L.F. Strassheim Co. v. Gold Medal Folding Furniture Co.*, 477 F.2d 818 (7th Cir. 1973). The breach of duty to the Patent Office is relevant not only to the issue of fraud, but also to the good faith in maintaining a subsequent infringement suit. *Monolith Portland Midwest Co. v. Kaiser Aluminum & C. Corp.*, supra. Similarly, a patentee who knows or reasonably should know that the patent is invalid on any other ground, but nevertheless sues an alleged infringer is guilty of bad faith. *Shelco, Inc. v. Dow Chemical Co.*, 466 F.2d

613 (7th Cir. 1972). If no fraud is involved, the key to the determination of bad faith is the reasonableness of the patentee's belief in the patent's validity:

[O]nly where the Court is convinced that the patent in suit is so wholly devoid of substance that that plaintiff could not have had a bona fide belief in its validity shall it award the defendant reasonable attorneys' fees pursuant to 35 U.S.C. § 285. *Indiana General Corp. v. Krystinel Corp.*, 297 F.Supp. 427, 449 (S.D.N.Y. 1969).

1. Fraud.

At the September 15th hearing, this Court stated that no prima facie case of fraud had been made out by defendant. After a reconsideration of the record, the Court finds no reason to alter that conclusion. At most, defendant has established a prima facie case that Gore was negligent in failing to keep fully informed of information obtained by his employees and kept in the corporate files. It is impossible to detail fully all the evidence which the Court has considered, but a brief discussion of the most significant points is necessary.

Defendant's contentions with respect to fraud by Gore are twofold: that Gore knowingly misrepresented the state of the art in this patent application, and that the results of certain comparative tests performed by Gore's employees were not furnished to the Examiner.

In the '915 patent, Gore represented that, "It is surprising that unsintered, poly(tetrafluoroethylene) ribbons can be expanded by stretching them." DX-A,⁹ col. 6, lines 49-50. Oak contends that in the context of the application, "expanded" means "reduced in specific gravity", and that Gore was aware, or should have been aware of prior art which taught that the specific gravity of PTFE tape would be reduced by stretching. In support of its position, defendant offers a copy of a report by Robert C. Ribbans, II, published by the Plastics Department, Technical Services Lab., E.I. du Pont de Nemours and Co., Inc., on or about March 15, 1966, entitled "Unsintered Tape Manufacture Calendering Round Rods". It describes a process for making unsintered PTFE tape which includes stretching between two rollers driven at a differential speed of approximately 20%. A copy of the report was obtained by plaintiff's employee, John Crowe, sometime in 1966. DX-G, p. 91. At that time, Crowe was responsible for development of a market for unsintered, extruded PTFE tape both for wire and cable insulation and for pipe thread sealant. DX-F, p. 6. The evidence does not establish that Gore saw the

9 In the remainder of the text, exhibits submitted by defendant in support of the motion for an order and judgment will be cited as DX-A, etc. Plaintiff's exhibits submitted in support of its motion and in opposition to defendant's motion will be cited as PX-A, etc.

Ribbons' report prior to 1973 when a copy was produced from the company files during discovery in the J & J litigation.

As part of the application for the '915 patent, Gore included a table (Table IV) listing the properties of unsintered PTFE tapes in "commercial use" at the time. DX-B, p. 14. None of the tapes in Table IV, with the exception of the expanded Gore tapes, were reported to have a specific gravity of less than 1.4. Defendant contends that, at the time of filing of the application, plaintiff's files contained the results of tests run by its employees on other samples of PTFE tape which showed specific gravities of less than 1.4, but that those results were not revealed to the Patent Office. The exhibits before the Court do show that tests were run by an employee of Gore on the following tapes of 1.4 specific gravity or less:

1. Ceelon tape, tested June 12, 1969;
specific gravity = 1.17 (DX-O, P)
2. Polychem tapes, tested December 18, 1968:
Poly 760 - specific gravity = 1.4
Poly 761 - specific gravity = 1.240
Poly 761 (new) - specific gravity = 1.250
(DX-U)
3. Ankron Thread Seal (Blue Pack), tested May 14, 1969; specific gravity = 1.40 (DX-V, W)
4. William Rose tape, tested August 11, 1969;
specific gravity = 1.38 (DX-X)

With the possible exception of the three Polychem tapes, the results of these tests were apparently available to

Crowe prior to filing of the patent application by Gore. See DX-F, G. The evidence is conflicting as to when Crowe learned of the results of the Polychem tape tests. In his affidavit, Crowe states that he had no knowledge of the results until the documents were produced in June, 1976. Defendant asserts that the documents were produced in discovery at some unspecified time prior to June, 1975. The evidence indicates that the results of the Polychem tests were compiled by an employee in Crowe's department, either Jim Dauerty or Vipin Mehta. DX-G, pp. 82, 83. In any event, defendant has not established that Gore was personally aware of any of the test results prior to or during prosecution of the '915 patent application.

While defendant acknowledges that the present record does not establish actual knowledge on the part of the applicant Gore of either the Ribbens' report or the comparative tests, it contends that Gore should be held responsible for the knowledge of his employees. Courts have consistently held that fraud on the Patent Office must involve either a conscious intent to defraud or a recklessness indicating a disregard for the duty of frankness. In re Multidistrict Litigation Involving Frost Patent, 540 F.2d 601 (1976); Xerox Corp. v. Dennison Manufacturing Co., 322 F.Supp. 963 (S.D.N.Y. 1971); Norton v. Curtiss, 433 F.2d 779 (C.C.P.A. 1970) ("misrepresentations made in an atmosphere of gross negligence as to the truth"); Corning Glass Works v. Anchor Hocking

Glass Corp., 253 F.Supp. 461 (D.Del. 1966) ("intentional misrepresentation"); Mayview Corp. v. Rodstein, 385 F.Supp. 1122 (C.D. Calif. 1974) ("intent to deceive or at most reckless disregard of consequences").

Defendant has not presented the Court with any evidence establishing an intentional non-disclosure or misrepresentation by Gore. Nor has a case of gross negligence been made out. The testimony by both Crowe and Gore, while somewhat self-serving, does indicate that Crowe's comparative testing operation was run independently of Gore. The program and records were not particularly systematized. Crowe Affidavit, ¶ 5. There was no procedure established for collecting tapes to be tested, or for transmitting the test results and other information to other Personnel in the company. DX-F, p. 7; DX-G, pp. 73-75. The primary purpose of the information-gathering was to keep track of the progress of competitive manufacturers in the field, rather than to compile evidence related to future patent applications. DX-G, p. 14. Gore apparently did not encourage the routine transfer of such information within his company, or else the documentary evidence of low density tapes probably would have come to his attention sooner. The Court cannot say, however, that Gore evidenced any reckless disregard for the truth, since he had been assured by Crowe on several occasions that the tapes being tested were all of "standard density". DX-G, pp. 76, 77.

Perhaps it was negligent not to check up on the test results, but it was not so grossly negligent as to border on fraud. Simple negligence on the part of the losing party, without more, does not make the case exceptional under § 285.

The Court considers that, on the basis of the record before it, the facts of this case are distinguishable from those in Monolith Portland Cement, supra, and L.F. Strassheim, supra. In each of those cases, the Court found that the losing party's conduct came very close to fraud; the only element which could not be supported by the evidence was an actual intent to deceive. The present case is closer to Kaster, Inc. v. K Mart Enterprises, supra. In that case, the court found that the attorney's failure to investigate more fully the date of first sale was, at most, "reasonably negligent".

This does not mean, however, that an employer may never be held responsible for the knowledge of his employees relevant to the prosecution of a patent application. If a patentee purposefully insulates himself from those employees responsible for research and development in order to avoid possible penalties for fraud, the court might well find a "reckless disregard for the truth" which justifies an award of attorneys' fees. The line between simple and gross negligence is obviously difficult to draw. It is even more difficult in a case such as this, where no trial has been held. On the basis of the record provided in support

of the current motions, the Court must conclude that there is no prima facie case of fraud or gross negligence. This conclusion should not be taken, however, as placing this Court's imprimatur on all of plaintiff's actions. As the court pointed out in Mueller Brass Co. v. Reading Industries, Inc., 352 F.Supp. 1357, 1382 (E.D. Pa. 1972), "Hopefully, the plaintiff will be more careful in the future in insuring that the circumstances surrounding their actions are not at all even suggestive of impropriety."

2. Bad Faith.

Since no case of fraud has been made out, defendant cannot contend that plaintiff filed this suit knowing that the patent was obtained by fraud. The question remains, however, whether bad faith can be imputed to plaintiff on the basis of subsequently discovered information relating to the validity of the patent. Defendant contends that, even if Gore had no personal knowledge of the above evidence at the time of the application, he learned of that evidence prior to filing of this suit as a result of proceedings in the J & J action. Assuming that the evidence available to Gore prior to July 3, 1975 clearly establishes the invalidity of the '915 patent, defendant argues that the filing of this suit constitutes bad faith.

Defendant bears a double burden of proof with respect to the issue of bad faith under the present case law. First, defendant must establish a prima facie case that the patent is invalid on one or more of the grounds set out in 35 U.S.C. § 102. A determination by this Court that the patent is probably invalid, without more, however, would not establish bad faith on the part of plaintiff. Second, defendant must show that the patentee could not reasonably have believed in the validity of the patent, even if the probable result of litigation would be a decree of invalidity. While defendant has cast substantial doubt on the validity of the '915 patent, the Court cannot conclude that Gore was guilty of bad faith in bringing this action. Gore has consistently maintained that he believes the patent to be valid, despite all of the prior art which has been brought to his attention. His decision to disclaim the patent and to move for dismissal of this suit was, by his admission, a "business decision", based on an evaluation by Gore and his attorneys of the cost of litigation and the probability of success.¹⁰ Although the Court feels that Gore's belief may be based on a misapprehension of the present state of the law, defendant has failed to

¹⁰ Since Gore has never detailed the factors which shaped his business decision, the Court has had to draw inferences from the evidence before it as to the reasonableness of his possible motivation.

demonstrate that the patent is so wholly devoid of substance that the patentee could not have had a bona fide belief in its validity.

Apparently defendant is contending that the patent is invalid on the basis of prior art. The strongest evidence which Oak relies on in support of that theory is the "Ceelon" or "Cropper" tape manufactured by John Cropper of New Zealand. According to Cropper's deposition in the J & J action, between 1966 and 1969, he produced a PTFE tape with a process which included stretching the tape on heated rollers. DX-I, p. 21. Cropper did not ever measure the specific gravity of the tape in question, DX-I, p. 54, but tests were performed by du Pont in 1968 which indicated that the tape had a specific gravity of between 1.24 and 1.39. DX-J. In 1968, Cropper sent, without charge, 70 sample rolls of the tape to the Budd Company of Newark, Delaware. DX-I, p. 2; DX-K. There is evidence in the record to suggest that an additional 25 rolls of similar tape, but with slightly different dimensions, were ordered by Budd and were paid for prior to October 3, 1969. DX-I, p. 50; DX-L, M. Crowe obtained a sample roll of the Cropper tape, labelled "Ceelon" from the Crane Packing Co., a customer of plaintiff who had been contacted by Budd. DX-G, pp. 79-80. That Ceelon tape was tested in the Gore labs and found to have a specific gravity of 1.17. DX-O. It is not at all clear whether the Ceelon tape tested

in the Gore labs was a sample of the original 70 rolls shipped to Budd for testing and analysis, or part of the later 25 roll shipment which was allegedly sold to Budd by Cropper. Defendant has not produced any evidence suggesting that the sample tested came from the 25 roll shipment. Crowe has testified, that he did not know the exact origin of the Ceelon tape, but that it was his impression at the time that Cropper was not a supplier in the U.S. DX-G, p. 78. Because defendant has failed to offer any proof to the contrary, the Court must assume that the Ceelon tape tested in the Gore labs came from the sample 70 rolls sent to Budd in 1968.

Under 35 U.S.C. § 102, defendant must demonstrate that the product was "on sale" in the U.S. more than one year prior to the date of the application for the Gore patent. Defendant contends that the order from Budd for 25 additional rolls of the Cropper tape is sufficient to establish sale in this country. In view of the proceedings before the International Trade Commission, the question of sale is a close one. The Administrative Law Judge and half of the full Commission board found the Gore patent to be valid on the ground, inter alia, that no "sale" of Cropper tape had taken place in the U.S. Further, it is not at all clear that any of the 25 rolls were ever tested for specific gravity. As discussed above, the Court must assume for purposes of these motions that the tests run on the Cropper tape were

all performed on the original 70 rolls. As the calendering was changed for the second set of rolls, the Court cannot conclude without expert testimony that those particular rolls anticipated the Gore patent, even if they were "sold" more than a year prior to the Gore application. Gore's belief in the patentability of the '915 patent over the Cropper tape was therefore not so unreasonable or devoid of merit as to justify an award of attorneys' fees.

The other evidence relied on by defendant similarly does not support a prima facie case of bad faith. The Ribbans' report discussed supra teaches only stretching of the PTFE tape. It does not teach any expansion by heating to minimize retraction; nor does it clearly indicate that specific gravity may be reduced merely by stretching. Ribbans' conclusions with respect to specific gravity indicate only that specific gravity may be reduced by the use of lubricant fillers -- a technique which was discussed in the '915 patent. In subsequent testimony, Ribbans stated that tape produced according to the method outlined in this report would have a specific gravity "in the range" of 1.5. PX-G.

The only other evidence presented by defendant are the reports on specific gravity of the Polychem, Anklon and William Rose tapes, listed supra. Both Crowe and Gore have submitted sworn statements indicating that neither was aware of the reports

on the Polychem tapes prior to 1976. See affidavits of Gore and Crowe. Defendant has asserted that the documents were discovered several years ago, but has offered no proof in support of that assertion. Even if Gore had been aware of the data prior to filing of this suit, however, the Court could not conclude that he acted in bad faith. Defendant has argued that the '915 patent includes any extruded PTFE tape with a specific gravity of less than 1.4, and that consequently Gore should have known that the patent was invalid immediately upon discovering the prior existence of three low specific gravity tapes. The Court does not need to determine, on these motions, whether defendant's interpretation of the language of the patent is correct. All that must be determined is whether Gore could have maintained a reasonable belief in the validity of the patent even after discovering the evidence of other low specific gravity tapes. After considering the patent as a whole, the Court cannot conclude that Gore's belief was unreasonable. Although the language of the abstract does define "expanded" as "reduced in specific gravity", the remainder of the patent speaks only of expansion through application of heat during or immediately after stretching of the tape. Gore acknowledges in the patent that specific gravity may also be reduced below 1.4 by the use of lubricant fillers, but indicates that tapes produced by that method are not disclosed by the claims of the patent. It is not clear on the face of the

patent that the crucial feature is the reduction in specific gravity below 1.4. Gore could therefore reasonably have understood the language of the '915 patent as including only PTFE tapes which had been stretched with the application of heat, so that the resultant specific gravity was less than 1.4. The reports on the Polychem tapes give no indication of how the tapes were processed, whether through simple stretching, expansion within the meaning of the '915 patent, or use of fillers. Nor is there any information as to whether the tapes were produced under a prior patent or, if not, whether they had been "on sale" in the U.S. for more than one year prior to filing of the '915 patent application. Defendant has not suggested that Gore had any independent information on the nature or origin of these tapes other than the reports produced in the J & J litigation. Accordingly, the Court finds that defendant has failed to make out a case of bad faith.

Similarly, the reports on the Anklon Blue Seal and William Rose tapes are not determinative. The specific gravity of the Anklon Tape is listed as 1.4, which is the threshold figure specified in the '915 patent. According to testimony of Crowe, the William Rose Tape was of British origin; there is no evidence as to whether either tape was expanded, or whether the tapes had been sold in the U.S. prior to filing of the '915 application. Defendant has failed to establish that any of the tapes

anticipated the Gore patent under § 102, and that Gore therefore could not reasonably have believed in the validity of the '915 patent.

The Court does not mean to suggest that the '915 patent would have been found valid after a full trial. The evidence before the Court casts severe doubt on its validity. The evidence does not establish a prima facie case, however, that Gore acted in bad faith in bringing the present suit. Although the invention may not have been patentable, it did represent a useful innovation in the field which enjoyed substantial commercial success. The court in *Indiana General Corp. v. Krystinel Corp.*, 297 F.Supp. 427, 449 (S.D.N.Y. 1969) refused to find bad faith in a similar case:

In the present case, although the plaintiff was, in the opinion of this Court, somewhat less than candid in its relations with the Patent Office, and in spite of the fact that this Court found, among other reasons plaintiff's patent invalid for "obviousness", plaintiff's claim represents an inventive advance which, although not worthy of patent protection, is sufficient to support a bona fide belief in the patent's validity, thereby removing plaintiff from the shadows of bad faith.

An award of attorneys' fees under § 285 is intended to compensate the prevailing party for costs incurred because of inequitable conduct on the part of the losing party. Defendant has failed to meet its burden of demonstrating a prima facie case of inequitable conduct on the part of plaintiff. No additional

evidentiary hearing is warranted by the record before the Court. Accordingly, the action is dismissed pursuant to Rule 41(a)(2), with costs and expenses to be borne by each party.

III. PROTECTIVE ORDERS.

As part of its motion for an order and judgment, defendant has asked the Court to direct the plaintiff to retain in safekeeping any documents or information which refer or relate to stretching of tetrafluoroethylene polymer or products made by stretching polyfluoroethylene polymer. Defendant fears that it will again face litigation with plaintiff involving substantially the same facts and issues as were involved in the present action, since plaintiff is presently prosecuting process claims in a patent application that is a divisional application of the one which matured into the '915 patent. Further, defendant alleges upon information and belief that plaintiff has other patents and patent applications directed to the stretching of unsintered PTFE tape which it may seek to enforce against defendant.

The Court refuses to grant defendant's request on two grounds. First, defendant has not shown the Court that there is any danger that the information will not be available, through discovery, in any later action. Unless there were a real danger that relevant information would be lost or destroyed in the interim, it is inappropriate to enter a protective order with respect to

possible future actions. Second, plaintiff has offered to allow representatives of defendant free access to the files at the mutual convenience of both parties; in order that defendant may copy or otherwise record any documents which it feels might be relevant to a future action. This solution seems reasonable, in light of the burden which would be placed on the record-keeping system of plaintiff if the Court were to direct retention of documents.

Defendant has additionally requested that certain documents and information which had been designated as confidential for the purposes of this litigation be removed from the restrictions of the protective order. Since plaintiff has not objected, the Court sees no reason why those documents should not be removed from the order.

Submit order.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing Brief For Plaintiff-Appellee were personally served upon Defendant-Appellant's counsel, Messrs. Cowan, Liebowitz & Latman at their offices at 200 East 42nd Street, New York, New York and mailed to Defendant-Appellant's counsel, Richard E. Alexander, Esq. at 33 North Dearborn Street, Chicago, Illinois 60702 this 15th day of December, 1976.


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